



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D. C.

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REPLY TO:

Auditor General
Comptroller, USAF
Hq Western District
1206 Maple Avenue (Rm 916)
Los Angeles 15, California

AFAUDW

31 January 1958

SUBJECT: Report on Price Redetermination Audit
Contract FL 3011, Item 16 under Appendix I
Westinghouse Electric Corporation
Baltimore, Maryland

TO: Contracting Officer

REF: Letter of 5 September 1957, Nr. 19086

1. Basis of Price Redetermination Proposal:

a. The proposal covers the spare parts as set forth in Lots II, III, and IV of the Spares Bill of Material 1JC4760 Revision F, consisting of 60 pages as supplemented by Revision 1 dated April 23, 1957. Since the changes proposed in Revisions 2, 3, 4, and 5 have not been accepted or approved, they have not been given effect in the proposal as presented in final form on December 3, 1957. These proposed revisions include both deletions and additions.

b. The pricing of the items in the Spares Bill of Material constitutes the basis for the amount of \$319,378 set forth in the proposal as "Total Works Delivery Cost." The estimate to complete in this category represents the difference between the total so determined and the book costs as recorded to 30 September 1957.

c. The auditor has restated the contractor's proposal to show the separate elements constituting works delivery cost as follows:

Purchased parts and material in fabricated parts	\$274,216
Factory labor and overhead at standard costing rates applied to standard or measured hours (time study)	13,631
Provision for additional time and cost - factory labor and overhead - 30%	<u>4,089</u>
	\$291,936
Provision for Packing and Packaging cost - 9.4%	<u>27,442</u>
Total Works Delivery Cost	<u>\$319,378</u>

Ltr to Contracting Officer, subj: Report on Price Redetermination Audit, Contract FL 3011, Item 16 under Appendix I, Westinghouse Electric Corporation, Baltimore, Maryland, 31 January 1958 (Cont)

2. Results of Examination: As the result of the examination we have questioned \$13,642, and have developed other information for consideration by the Contracting Officer.

a. Costs Questioned: The costs questioned comprise the following:

Net excess of prices used in pricing Bill of Material over prices from purchase orders and other sources (copy of computations furnished contractor)	\$ 5,253
Errors in reversing proposed Revisions which had been included in original draft of Price Redetermination Proposal (concurring in by contractor)	<u>982</u>
	\$ 6,235
Related General and Administrative Expense	<u>1,060</u>
	\$ 7,295
Difference between proposed rate of 17% and auditor's 1957 rate of 15%, or 2% x costs of \$317,334	<u>6,347</u>
Total Costs Questioned	<u>\$13,642</u>

b. Other information for the consideration of the Contracting Officer follows in next paragraph.

3. Other Information for Consideration of Contracting Officer:

a. Purchase Orders in Excess of \$25,000: Of three Purchase Orders in excess of \$25,000 one bore no evidence of the required approval of the Contracting Officer. The one remaining unapproved is Purchase Order 86 C-61-1446, dated 28 February 1957, in amount of \$29,400.

b. Relationship to Other Contract Items: Reference is made to paragraph 4b of Price Redetermination Audit Report on Proposal for Contract Items 7, 10, 11, 12, 13, 14, and 15 relative to the credits reflected in the proposal for Items 10 and 12 and the relationship to Item 16. As of the date of conclusion of the examination the final computations had not been made nor booked.

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Director, Western District
Auditor General